

MINUTES
BROWN COUNTY HOUSING AUTHORITY
Monday, November 16, 2015, 3:00 p.m.
City Hall, 100 N. Jefferson Street, Room 604
Green Bay, WI 54301

MEMBERS: Ann Hartman – Chair, Sup. Andy Nicholson – Vice-Chair, Tom Deidrick, Adam DeKeyser, and Corday Goddard

MEMBERS EXCUSED: Sup. Andy Nicholson – Vice-Chair

OTHERS PRESENT: Robyn Hallet, Matt Roberts, Pat Leifker, Mackenzie Reed-Kadow, Stephanie Schmutzer, Zaland Wardak, and Kelly Desotelle

APPROVAL OF MINUTES:

1. Approval of the minutes from the October 19, 2015 meeting of the Brown County Housing Authority.

A. DeKeyser made a motion to approve the minutes from the October 19, 2015 meeting of the Brown County Housing Authority, seconded by C. Goddard. Motion carried.

COMMUNICATIONS:

2. Letter from HUD dated October 14, 2015, regarding change to CY 2015 Administrative Fee Proration

R. Hallet stated that there will be an increase in the proration for the Administrative Fees from 79 percent to 81 percent, starting from the month of November to the end of the year 2015. The Authority decided to receive and place on file the letter from HUD dated October 14, 2015, regarding change to CY 2015 Administrative fee Proration.

3. Letter from HUD dated November 6, 2015, regarding final management decisions regarding the BCHA's OIG Audit.

R. Hallet stated that the HUD Milwaukee Field Office took the recommendations provided by the OIG after the OIG Audit was conducted. As a result, the Authority will have to pay back, with non-federal funds; the various amounts listed which total \$56,318. The deadline for the repayment is September 20, 2016. She also stated that there are enough non-federal funds available to repay this amount. A. Hartman asked if the Authority will repay this immediately. S. Schmutzer stated that she has included this amount in the 2016 budget; therefore the owed amount will be repaid in the year 2016.

R. Hallet stated, as a reminder to the Authority, that the funds are repaid back into the BCHA's own HCV program, from the BCHA's non-federal funds. S. Schmutzer stated that the non-federal funds will be taken out of Revenue Bonds and put back into HAP, where the funds will become revenue there. From there the Authority will be able to use those funds to pay back residents as well as be stored there to finance further leasing expenses.

C. Goddard wanted confirmation that there would be no net loss to the BCHA. S. Schmutzer confirmed that there will not be a net loss, since it is moving money from one account to another.

A. Hartman asked the staff for clarification as to why they failed to fully or correctly understand HUD regulations, which lead to the issue of repayment. R. Hallet stated that, in her opinion, it is primarily due to calculation error on behalf of ICS specialists. M. Roberts stated that he does not believe that the error was due to a lack of understanding of HUD regulations. He pointed out that in three years, ICS handles \$45 million in funds, therefore; a \$56,000 error does not seem large in comparison. A. Hartman asked ICS how many staff is in charge of calculating housing payments. M. Roberts replied about 20. A. Hartman stated that with this number of people in charge of a similar task, there is bound to be error. S. Schmutzer stated that the error was in part due to a misunderstanding of what a policy had read, therefore; the staff was consistently wrong. S. Schmutzer added that the policy has now been changed to match the practices of the staff.

The Authority accepted and placed on file the letter from HUD dated November 6, 2015, regarding final management decisions regarding the BCHA's OIG Audit.

REPORTS:

4. Report on Housing Choice Voucher Rental Assistance Program:

A. Preliminary Applications

For the month of October there were 189 preliminary applications. A. Hartman asked why the number for the preliminary applications has dropped. P. Leifker stated that it could be any number of factors. He further stated that there are currently a lot of incomplete applications. A. Hartman asked if this is unusual. P. Leifker replied no, but he stated that many applications are filled out in a current month but due to it being incomplete, the staff reserves it in order to claim it as a complete application the following month. This might explain the drop in numbers for the month October.

B. Unit Count

The unit count for the month of October was 2958

C. Housing Assistance Payments Expenses

The HAP expenses amounted to \$1,156,030.

D. Housing Quality Standard Inspection Compliance

There were a total of 385 inspections, of which 198 passed the initial inspection, 73 passed the reevaluation, 82 resulted in a fail, and 32 were no-shows. A. Hartman asked if the no-shows are associated with the same landlords. P. Leifker explained that ICS does not require both the landlord and the tenant to be present. The no-show is a result of no persons present at the location and time of the appointment.

E. Program Activity/52681B (administrative costs, portability activity, SEMAP)

P. Leifker stated that for the month of October there were 141 port outs with an associated HAP expense of \$119,034. ICS was overspent by \$18,322.58 but collectively ICS is still underspent for the year. The FSS program was overspent by \$525.00 in October.

F. Family Self-Sufficiency Program (client count, escrow accounts, graduates, participation levels, new contracts, and homeownership)

R. Hallet introduced Mackenzie Reed-Kadow to the Authority as the new FSS coordinator. She also mentioned that Nicole Tiedt, the former FSS coordinator, resigned from her position and has left ICS.

M. Reed-Kadow stated that 83 participants are currently enrolled in the FSS program. Of that number, 51 participants are at level one, seven are in level two, 15 are in level three, and 10 are in level four. Six new contacts were established for the month of October. There were two graduates and zero terminations for the month of October. There are currently 35 escrow accounts, with a total of \$4,407 deposited. FSS graduates have taken with them \$11,712.95 upon graduation. There are currently 58 homeowners in the program.

G. VASH Reports (active VASH, and new VASH)

P. Leifker stated that there are currently 25 participants in the VASH program.

H. Langan Investigations Criminal Background Screening and Fraud Investigations

P. Leifker stated that for the month of October there was one new investigation assigned, six previous investigations were closed, and five investigations are still active. One hundred and eighty nine applications were processed; of that number, 186 were approved and three were denied. P. Leifker allowed the Authority to analyze two charts on their own; the first being Initial Applications by Municipality and the second being Fraud Investigation by Municipality.

5. Report on use of Administrative Reserves and HCV lease up.

P. Leifker explained that the information given to the Authority regarding this agenda item is a breakdown of all the clients ICS has admitted into the program since their lease up initiative began. He explained that the top portion of the list represents the clients that were pulled from the waiting list, he then compares the number of clients that returned their paperwork to the number of clients that did not. For the clients that did not, their applications were closed. He stated that the next figure showed the total number of vouchers issued. The bottom box showed the number of clients still on the waiting list. The final figure represented the total cost for extra administrative expenses that ICS has invoiced to the BCHA through October 31, 2015. This figure amounts to \$11,200.

A. Hartman asked for clarification on what "displaced" represented. P. Leifker stated these are applicants that have been displaced due to government action or natural disaster. He added that this number will mostly likely show to be zero due to the

preference given to them, which allows them to be leased up immediately without any wait.

A. DeKeyser asked if staff has kept in contact with HUD and if HUD is satisfied with the progress being made on the lease up initiative. R. Hallet responded yes, that staff converses with HUD on a monthly basis and that HUD is in understanding of the progress being made. Both HUD and staff would like for the number of monthly lease ups to increase to more favorable levels, but given the effort put in, the numbers achieved have been reasonably expected by both parties. R. Hallet mentioned that the Authority is still on HUD's hotlist for this issue.

OLD BUSINESS:

6. Review and approval of 2016 Fair Market Rents and Voucher Payment Standards.

R. Hallet reminded the Authority that in the previous meeting, it was asked of them to keep payment standards the same. R. Hallet explained that in the staff's conversations with HUD, additional ideas for increasing the use of HAP funds were brainstormed. In addition to the lease up initiative, the general consensus was to increase the payment standards, so the Authority will use more in HAP funds, allowing for less of it to become reserves. P. Leifker stated that HUD has observed that the majority of housing authorities have underutilized their payment standards since sequestration. Due to sequestration, many housing authorities did not increase their payment standards in order to save additional funding. The increases that the staff is proposing is within the 90 to 110 percent threshold HUD has in place. P. Leifker also mentioned that the goal is to keep the payment standards low enough that if next year's fair market rents decrease, there will not have to be a decrease in payment standards to stay within the threshold. R. Hallet mentioned that the current increase in payment standards is an average of \$15 to \$25 increase from what the Authority had approved last month. P. Leifker agreed, stating that the largest increase in payment standards was for two bedroom units, totaling a \$33 increase. He added that most of the Authority's clients are housed in two bedroom units. This increase will help make clients' rent more affordable, while allowing the Authority to expend more funds.

A. DeKeyser asked if the Fair Market Rents have been approved as final by HUD. P. Leifker stated no. R. Hallet stated that this issue is highly unusual and typically HUD finalizes the Fair Market Rents by October 1. A. Hartman asked why this might be. R. Hallet stated that it is her opinion that it might be related to the continuing resolution on the Federal budget. M. Roberts stated that overall this approval for an increase in payment standards is beneficial in two ways: first, it allows for more affordable rent for the clients and second, it allows the Authority to spend more of their funding.

C. Goddard made a motion to approve the 2016 Voucher Payment Standards. Motion was seconded by A. DeKeyser. Motion carried.

NEW BUSINESS:

7. Approval of ICS's 2016 budget.

R. Hallet stated that the 2016 budget for ICS had been included in the RFP for administration of the HCV program, but that budget was originally put together in June

with best estimates available at that time but that since then more accurate numbers are available, therefore the budget had to be altered to more accurately meet these needs. M. Roberts stated that he had anticipated that this would happen. He stated that initially, most items in the budget were estimated to a certain degree. Now that ICS has a better understanding of their true funds, they can make more accurate decisions on what their budget should encompass. He stated that ICS's current budget is in fact smaller than the initial estimated budget in the RFP. The largest change in the budget was to healthcare. Initially ICS had estimated healthcare to be at a 30 percent margin; the actual percentage turned out to be around 18 percent. Employee salaries were also decreased from \$620,000 to \$614,000. He also stated that he has allowed for flexibility on the budget for professional services. ICS has recently used a contractor for accounting and financial services. He stated he would like to hire an employee in-house to do the same work. This new hire would improve communications with all staff members and to the BCHA. Some funds were taken from employee salaries to satisfy potential future costs for the professional services account.

A. Hartman asked if those funds will come back to employee salaries once an employee is hired. S. Schmutzer generally stated no. She explained that each line item does not need to be approved separately. When an entire budget is approved, funds can become fluid in their allocation towards various expenses. A. Hartman also asked if any changes have been made towards port outs and its associated admin fees. S. Schmutzer stated that it is very difficult to present concrete numbers for such an unpredictable account. She also stated that HUD is also looking into changing the way in which port ins and outs are to be funded. HUD is considering changing how authorities bill one another for port outs. They are considering directing the costs internally; however nothing has been finalized as of yet. A. Harman wanted clarification on whether the number reserved for port outs is purely an estimated number. M. Roberts stated yes. He added that he had decreased this amount by \$5,000 dollars from this current year's budget. He also stated that ICS is working with legislators to shed light on this issue. A. DeKeyser added that ICS has also included in its budget, essentially \$17,456 of non-contingent funds under the title of depreciation expense. S. Schmutzer stated that these funds have a legitimate purpose in representing the future cost needed to replace or enhance the computer equipment ICS currently has.

C. Goddard made a motion to approve ICS's budget for the year 2016, and seconded by T. Deidrick. Motion carried.

8. Approval of BCHA's 2016 budget and Approval of Resolution #15-02 Approving Operating Budget.

A. Hartman asked for an explanation as to what resolution #15-02 was referring to. S. Schmutzer stated that it is a more formal way of providing confirmation to HUD that the Authority has seen and approved the BCHA 2016 Budget. R. Hallet mentioned that the numbers 15-02 represent the year and chronological order of the number of resolutions the Authority has had in one calendar year, therefore this is the second resolution of the year 2015.

S. Schmutzer stated that the Authority should be aware of the fact that the budget includes out-of-state proposed trainings. R. Hallet clarified that generally the Authority

must authorize out-of-state training; including and preapproving this in the budget relieves the burden of having to approve every event separately. S. Schmutzer added that the budget for trainings does include commissioners, if they were to be interested in going to a WAHA or NAHRO training.

R. Hallet also added that the budget attachment for training and travel costs involves both the GBHA and BCHA costs, due to such training costs for herself and S. Schmutzer being split between the two Authorities. Therefore the Authority members should focus on only the BCHA totals.

S. Schmutzer stated that the HCV program accounts for the largest portion of the expenses in the budget. The yellow highlighted areas represent numbers from ICS's budget that has been included into the BCHA budget. S. Schmutzer stated that she had included ICS's entire budget into the BCHA budget. She explained that she did not adopt ICS's revenue, however as BCHA's revenue because in reality it is an expense to the BCHA.

S. Schmutzer stated that the budget increased in some areas but also decreased in other areas. She explained that salary expenses increased, partly due to a two percent increase that the City of Green Bay had approved as of October of this year, which continues into next year. She mentioned that part of this number also includes step increases.

S. Schmutzer went on to explain that legal fees have increased dramatically: in the 2015 budget, legal fees were estimated to be \$8,000, but since ICS has allowed the Authority to take charge of more fraud cases, in an effort to collect funds through the state TRIP program, actual legal expenses amounted to around \$16,000. S. Schmutzer stated that due to this trend and the success that the TRIP program is showing in collecting a total of \$100,000, staff has increased the legal fees to \$17,000 for the year 2016 in anticipation of a similar result.

S. Schmutzer stated that she has specified some expenses and has given them their own account. For instance computer support was taken from miscellaneous expense and put under its own title. She explained that the account Sundry Admin-Miscellaneous has been split between the months January and February. She added that the cost for potential quality control software for tenant files had been added to office supplies expense.

R. Hallet explained that OIG has recommended that the Authority put more procedures into place in regards to quality control reviews of tenant files. She stated that she performs quality control reviews on a quarterly basis. She has recently been seeking either a third party to provide her with guiding software that would help her to improve her own process, or potentially contracting it to a third party that would perform the quality control reviews themselves. She has found two housing resource companies to provide either service. Nan McKay and Associates can perform these quality control reviews at a pace of 10 files per month with a yearly cost of \$10,800. R. Hallet explained that there is another potential contractor that could perform the same service in-house, but their cost is too great. R. Hallet is considering this company for its ability to provide a software tool that R. Hallet could use and therefore continue to perform the

reviews herself. This option would amount to a yearly cost of \$13,800. She stated that if the Authority does not like these options, she can continue to perform as she always has. OIG did not complain of how R. Hallet performed the reviews, but they did wish to formalize the process, meaning that the review process should be included in the Administrative plan. She also stated that per OIG's request, she and P. Leifker have organized a follow up process after an error is found, to review the corrections made to errors found.

R. Hallet explained that the actual costs of these contractors became available to staff after the budget was finalized. Therefore the actual cost was not included in the budget. A. DeKeyser asked if the OIG recommended a third party's involvement in the review process. R. Hallet stated no. T. Deidrick asked R. Hallet how long it takes her to perform the review. R. Hallet responded that it takes her a little less than an hour to review one file. S. Schmutzer added that the staff used that number and multiplied it first by the time R. Hallet takes to review one file (one hour) and second by the salary/benefits she would receive for that time, to estimate the cost of \$5,000 for a contractor's services. R. Hallet added that she does not perform 10 files on a monthly basis; rather she performs a review of five files per quarter. She added that the speed of a contractor to perform the reviews gives the Authority better insight on how efficiently the program is running.

A. Hartman asked R. Hallet how often she finds errors in her review of the tenant files. R. Hallet replied not often. A. Hartman asked for the total number of files and what percentage from that number R. Hallet's reviews amounted to. S. Schmutzer stated that there are approximately 3,000 participants on the program. A. DeKeyser stated that the number of R. Hallet's reviews would not even amount to five percent. P. Leifker stated that there is also quality control reviews performed internally at ICS. HUD requires a minimum number be reviewed, which ICS meets or exceeds annually. R. Hallet stated that in her reviews she mainly searches for errors pertaining to anything that effects the housing assistance payment. Usually the errors found are minor. A. DeKeyser asked if giving a third party the information needed for the reviews would be a challenging task or if the information is held or stored electronically. R. Hallet replied that it would not be difficult since the information is indeed stored electronically. She added that staff would provide the third party access to only view content on the computer system and would not give them access to potentially change recorded data. R. Hallet stated that an advantage to having Nan McKay and Associates is that their understanding of HUD regulations is always very current.

A. DeKeyser asked if there are a minimum number of reviews that Nan McKay imposes on their contractual agreements. He also asked if the Authority could contract their services for fewer; say only five file reviews on a monthly basis in order to cut costs. R. Hallet mentioned that there is no minimum requirement for Nan McKay. She added that HUD does impose a minimum on the number of reviews to be conducted at ICS internally. R. Hallet stated that she essentially reviews the Authority's contractor, ICS, to insure that the contractor is performing its review process correctly. A. DeKeyser stated that regardless of the number of reviews conducted by a third party, based on their success rate, the staff can use this resource to judge if a third party adds any value to the review process. C. Goddard and A. Hartman expressed their agreement to A. DeKeyser's suggestion of contracting a third party for only five file reviews on a monthly basis. C. Goddard asked S. Schmutzer if the funds to contract a third party reviewer had

been included in the budget. S. Schmutzer stated that there is only \$5,000 in funds budgeted for this expense, but per the Authority's request, more funds can be allocated to satisfy the real need. A. Hartman deferred back to her statement of agreement with the notion of cutting costs and using this resource as a trial resource in order to judge its effectiveness or added value to the review process. S. Schmutzer asked if Nan McKay required a one year contractual obligation. R. Hallet replied no; she stated that there is no time obligation. S. Schmutzer suggested that the Authority could approve the current \$5,000 already budgeted, to go into a trial contract with a third party reviewer. C. Goddard stated that he would like to see the staff use the funds already budgeted, in however way they please, in order to come to a sound conclusion of the usefulness of a third party contractor. The rest of the Authority members agreed with his statement. A. Hartman asked if the Authority has to make any sort of motion to approve the funds to be expended on a third party reviewer. R. Hallet stated no, due to the funds already being included into the budget.

C. Goddard asked why line 47-15 had a \$4 million increase. S. Schmutzer stated that this is the account of "HAP- Other." She stated that this increase is the result of the Authority's effort to expend their reserves in order to reach their maximum for lease ups. She added that she is confident that all of the funds will not be utilized; rather it is merely an effort to remove the BCHA off HUD's hot list. She added that the budget total also includes the funds that the OIG had asked the Authority to reimburse clients. A. DeKeyser stated that he agreed with the intension behind the number but he asked if a large change in funds, such as this, could be more detailed or specified in the future in order for readers of the budget to understand why such funds were moved. He also asked if the present and future budgets would look fairly the same if the dramatic increase of the use of reserves were to be discounted. S. Schmutzer stated that budgets of the future will be different if the factor of the reserves were to be discounted due to an increase in lease ups. S. Schmutzer generally stated that most Authorities for the next year will have an unusually looking budget as well, due to sequestration ending. The end of sequestration allowed for authorities to access funds that were otherwise frozen. She also added that she is not aware of the full details of what is involved in creating that number. She explained that she worked with M. Roberts to help her with the details involving the potential Admin expenses per unit and other various expenses.

S. Schmutzer stated that fund 53, 80-81-CDGB, represents items in the budget that deal with down payments, closing costs, assistant loans, and training. Fund 57, the Revenue Bond account, includes the amount that OIG had imposed on the Authority to repay A. DeKeyser asked how much the Authority had in Revenue Bonds. S. Schmutzer stated that the Authority has approximately \$700,000 in the Revenue Bonds account.

C. Goddard made a motion to accept the BCHA's 2016 budget and Approval of Resolution #15-02 Approving Operating Budget. T. Deidrick seconded that motion. Motion carried.

9. Review of Fundamentals of Oversight section of Lead the Way training, followed by discussion and decision regarding other segments of the training.

R. Hallet asked the Authority if they had completed the Fundamentals section of the Lead the Way training, as they had discussed in the previous meeting. The Authority members generally stated no. R. Hallet logged into the Lead the Way training website to guide the Authority members and help them navigate their way through the trainings. All the Authority members went through three questions together as a group, in order to get a feel for the training content. R. Hallet explained that some training segments have a link to other segments, this allows a trainee to complete sections of other trainings while still under the same segment, but this is not necessary. R. Hallet stated that the Public Housing basics section is indeed pertinent to this Authority and that this training should not be ignored. A. Hartman asked R. Hallet how long each segment of the training took her to finish. She stated that it took her about half an hour to finish the two segments she has completed thus far.

C. Goddard made a motion to continue the Lead the Way training on a monthly basis for at least one more month. A. DeKeyser seconded the motion. Motion carried.

INFORMATIONAL:

10. Review of ICS's Operational Plan.

R. Hallet reminded the Authority that part of the RFP requested the selected contractor to provide the Authority with an Operational Plan 60 days before the start of the contract. M. Roberts reviewed various sections of the plan. He explained that ICS has put in plans to lower potential fraud. He explained that since ICS received its new operating system for its computers, its doors and other resources are out of synch with the new system due to differences in the old and new operating systems. He stated that funds will be needed in the future in order to synch all the resources together. That cost, he added, was not included in the 2016 budget.

BILLS:

S. Schmutzer allowed the Authority members to analyze the bills. A motion was made by T. Deidrick to approve the bills for this month. A. DeKeyser seconded the motion. Motion carried.

FINANCIAL REPORT:

S. Schmutzer stated that HAP income is \$4 million underspent, which is partly due to the increase in the use of reserves. A. DeKeyser made a motion to approve the financials for this month. C. Goddard seconded the motion. Motion carried.

STAFF REPORT:

11. Date of next meeting: December 21, 2015 (tentative).

R. Hallet stated that the December meeting may or may not happen due to any unexpected last minute issue that may come up before the year end.

The BCHA meeting for November 16, 2015, adjourned at 4:29 pm.

ZW:rah:jd